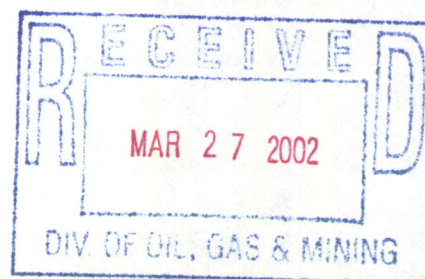


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UTELITE CORPORATION

Financial Statements

For the Year Ended December 31, 2001



UTELITE CORPORATION

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To the Board of Directors
UTELITE CORPORATION
Coalville, Utah 84017

We have reviewed the accompanying statement of assets and liabilities--income tax basis of **UTELITE CORPORATION** (an S corporation) as of December 31, 2001, and the related statements of revenues and expenses--income tax basis, retained earnings--income tax basis and cash flows--income tax basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the owners of **UTELITE CORPORATION**.

The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note A.



LYNN M. CARLSON & CO.

March 26, 2002

UTELITE CORPORATION

STATEMENT OF ASSETS, LIABILITIES & EQUITY--INCOME TAX BASIS

December 31, 2001

ASSETS

CURRENT ASSETS

Cash	\$	160,168
Trade Accounts Receivable		794,858
Employee Accounts Receivable		374
Material Inventory		398,910
Prepaid Insurance		<u>12,892</u>

TOTAL CURRENT ASSETS **1,367,202**

PROPERTY AND EQUIPMENT

Land	416,779
Buildings, Structures & Land Improvements	384,860
Plant Machinery & Equipment	4,975,303
Pollution Control Equipment	606,457
Machinery	1,138,156
Autos, Trucks, Trailers	109,958
Office Equipment	30,144
Less Accumulated Depreciation	<u>(6,028,753)</u>

1,632,904

OTHER ASSETS

Assets in Progress	<u>83,884</u>
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83,884

\$ 3,083,990

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	247,082
Accrued Payroll Taxes		3,713
Notes Payable--Current		<u>106,794</u>

TOTAL CURRENT LIABILITIES 357,589

LONG TERM LIABILITIES

Notes Payable--LT		<u>1,424,548</u>
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TOTAL LIABILITIES 1,782,137

STOCKHOLDERS' EQUITY

Common Stock, Par Value \$1.00		164,757
500,000 Shares Authorized		
164,758 Shares Issued, of which		
91,881 are held in Treasury		
Premium on Capital Stock		235,415
Treasury Stock		(1,744,130)
Retained Earnings		<u>2,645,811</u>

1,301,853

\$ 3,083,990

UTELITE CORPORATION
STATEMENT OF REVENUE AND EXPENSES--INCOME TAX BASIS
For the Year Ended December 31, 2001

SALES	\$ 6,357,512
COST OF SALES	
Inventory Adjustment & Purchases	(164,792)
Direct Labor	1,181,578
Plant Power & Utilities	162,220
Kiln Fuel	589,223
Delivery Expense	2,028,284
Small Tools	8,335
Supplies	37,250
Repairs & Maintenance	696,886
Fuel & Oil	146,949
Raw Material Royalties	124,615
Lab & Testing	5,152
MSHA Safety & Health	15,658
Air Pollution	31,899
	<u>4,863,257</u>
GROSS PROFIT	1,494,255
EXPENSES	
Marketing & Promotions	33,002
Employee Benefits	155,350
Payroll Taxes	87,636
Advertising	5,223
Travel & Sales	10,176
Insurance	19,128
Telephone	15,908
Legal & Professional	69,268
Office Supplies & Postage	27,422
Taxes & Licenses	30,704
Auto Allowance & Expense	12,754
Miscellaneous & Bank Charges	14,040
Dues & Subscriptions	7,290
Training	4,324
Depreciation	554,302
Management & Accounting	1,750
Rents & Leases	24,826
ESCSI	22,676
Depletion	114,115
	<u>1,209,894</u>
INCOME FROM OPERATIONS	284,361
OTHER INCOME (EXPENSE)	
Interest & Dividend Income	30,781
Gain or (Loss) on Sale of Assets	34,139
Interest Expense	(30,203)
	<u>34,717</u>
NET INCOME \$	<u>319,078</u>

See accountant's report and notes to financial statements.

UTELITE CORPORATION
STATEMENT OF CASH FLOWS--INCOME TAX BASIS
For the Year Ended December 31, 2001

CASH FLOW FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 6,389,622
Interest and dividends received	30,781
Other operating receipts	121,065
Cash paid to suppliers and employees	(5,518,955)
Interest paid	(30,203)
Net cash provided (used) by operating activities	992,310

CASH FLOW FROM INVESTING ACTIVITIES:

Cash payments for the purchase of property	(389,979)
Cash proceeds from the sale of property	121,065
Cash payments for the purchase of treasury stock	(1,694,760)
Net cash provided (used) by investing activities	(1,963,674)

CASH FLOW FROM FINANCING ACTIVITIES:

Proceeds from issuance of long-term debt	1,445,837
Principal payments on long-term debt	(378,780)
Dividends paid	(280,000)
Net cash provided (used) by financing activities	787,057

Net increase (decrease) in cash and equivalents	(184,307)
Cash and equivalents, beginning of year	344,475
Cash and equivalents, end of year	<u>\$ 160,168</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest expense	30,203
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**RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES:**

Net Income	\$ 319,078
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	668,417
(Gain) loss on disposal of property	(34,139)
(Increase) decrease in accounts receivable	153,174
(Increase) decrease in prepaid expenses	(12,892)
(Increase) decrease in inventories	(166,360)
(Increase) decrease in other assets	191,249
Increase (decrease) in accounts payable	14,146
Increase (decrease) in accrued liabilities	(140,363)
Total adjustments	673,232
Net cash provided (used) by operating activities	\$ 992,310

UTELITE CORPORATION
STATEMENT OF RETAINED EARNINGS--INCOME TAX BASIS
For the Year Ended December 31, 2001

ACCUMULATED ADJUSTMENTS ACCOUNT

Balance, January 1, 2001	\$	969,930
Taxable Income		319,078
Distributions		<u>(280,000)</u>
Balance, December 31, 2001		1,009,008

PREVIOUSLY TAXED INCOME

Balance, January 1, 2001	20,216
Distributions in Excess of the Accumulated Adjustments Account	<u>0</u>
Balance, December 31, 2001	20,216

OTHER RETAINED EARNINGS

Balance, January 1, 2001	1,616,587
	<u>0</u>
Balance, December 31, 2001	1,616,587

TOTAL RETAINED EARNINGS, DECEMBER 31, 2001	\$	<u>2,645,811</u>
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UTELITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of utelite corporation (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the financial statements.

Income Tax Basis of Accounting

The Company's policy is to prepare its financial statements on the income tax basis of accounting; consequently, the Company recognizes depletion expense as the greater of cost depletion or statutory depletion. Under generally accepted accounting principles, only cost depletion is acceptable.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their respective shares of the Company's taxable income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

No reserve for bad debt has been established by the Company. Historically, uncollectible accounts receivable have not been significant enough to warrant establishing a reserve. Bad debts are written off as it becomes evident that they are uncollectible; any recoveries are included in income when received.

Inventories

Inventories are valued at the lower of cost or market under the first-in, first-out, (FIFO) method. Cost is determined using the Internal Revenue Code's guidelines with respect to uniform capitalization of inventory.

Depreciation

Property, plant and equipment are carried at cost. Depreciation is provided over the estimated useful lives of the related assets using the accelerated cost recovery system and the modified accelerated cost recovery system required by the Internal Revenue Code.

Cash

For purposes of the statement of cash flows, the Company includes only cash on deposit and similar demand deposits that are not subject to withdrawal restrictions or material penalties as cash and cash equivalents.

UTELITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

NOTE 2—LONG TERM DEBT

Long-term debt at December 31, 2001, consisted of the following:

<p>A note payable due Zions First National Bank, pursuant to a Promissory Note dated September 17, 2001. The note has a 36-month term, monthly principal and interest payments of \$7,692.04 and bears an adjustable interest rate based on the Prime Rate. The initial interest rate is 6.50% but can change daily. The loan is secured by all the equipment and fixtures at the plant site.</p>	<p><u>2001</u> \$ 231,368</p>
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Interest Expense on this loan in the amount of \$3,761.43 has been deducted in these financial statements.

<p>A Stock Redemption Agreement due Fred D. Mortensen, incurred November 7, 2001 to purchase 36,438 shares of common stock of Utelite Corporation, approximately 31.5% of the issued and outstanding shares of the Corporation. This agreement has a 240-month term, monthly principal and interest payments of \$9,712.05 and bears an interest rate of 6.5%.</p>	<p>1,299,973</p>
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Interest expense on this loan in the amount of \$7,055.91 has been deducted in these financial statements.

Total Debt	1,531,341
Less Current Portion	(106,793)
Long-Term Debt	<u>\$1,424,548</u>

<u>Maturities of long-term debt are as follows:</u>	<u>Year Ending December 31,</u>	<u>Amount</u>
	2003	119,490
	2004	110,922
	2005	40,107
	2006	42,793
	2007	45,659
	2008	48,716
	2009	51,979
	2010	55,460
	2011	59,174
	2012	63,137
	2013	67,366
	2014	71,877
	2015	76,691
	2016	81,827
	2017	87,308
	2018	93,155
	2019	99,394
	2020	106,050
	2021	103,443
		<u>\$1,424,548</u>

UTELITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

NOTE 3—PROFIT SHARING PLAN

The company maintains a 401(k) retirement plan for its employees. Company contributes a base 1% of all qualified participant's salary to the plan and will match up to 2% of any qualified participant's elective contributions. Additional discretionary contributions from the company are allowed.

Retirement plan contributions expensed as an employee benefit in these financial statements are \$30,955.63.

The company also provides a fringe benefit cafeteria plan for its employees.

NOTE 4—RELATED PARTY TRANSACTIONS

The Company purchased 42,511 shares of stock held by two shareholders during the year. The purchase price was established using the Company's Buy/Sell Agreement formula. There are currently two remaining shareholders which own 72,876 of the issued and outstanding shares.

NOTE 5—BUY/SELL AGREEMENT

The Company has entered into an agreement with its remaining two stockholders that obligates the Company, upon the death of a stockholder, to purchase the deceased stockholder's stock in the Company. The purchase price is established by formula.

NOTE 6—CONTINGENT LIABILITIES

In 1991, certain residents of Echo, Utah filed a lawsuit against Summit County and the Company alleging that the Company's rail loading facility in Echo was in violation of the applicable zoning laws. The plaintiffs later added a claim of nuisance.

In 1995, the court held that the facility was not then a nuisance. Because of an adverse summary ruling on the issue of zoning violation, the parties took an appeal that eventually ended up before the Utah Supreme Court. In February 2001, that court reversed that the original summary ruling and returned the matter to the trial court for further proceedings.

The plaintiffs have not taken any action in the matter for the last year. The Company intends to argue that, based on earlier proceedings and relevant case law, the case must be dismissed.

Although no assurances can be given as to the outcome, the Company believes that it has meritorious defenses to such lawsuit. The Company does not believe that the outcome of such proceeding will have a material effect on its financial position.

NOTE 7—CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Company maintains cash balances at one financial institution located in Utah. Accounts at the institution are insured by the Federal Deposit Insurance

UTELITE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(See Accountant's Report)

Corporation up to \$100,000. At December 31, 2001, the Company's uninsured cash balances total \$50,168.

Concentrations of credit with respect to trade receivables are limited due to the number of customers comprising the Company's customer base and ongoing credit evaluations of its customers' financial condition. Currently 96% of the Company's trade accounts receivables are less than 30 days old. Only 1% are over 90 days old.